

Message Text

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PAGE 01 JAKART 07755 131117Z
ACTION EB-07

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
SP-02 EPG-02 OMB-01 /046 W
-----131157Z 047085 /53

R 130910Z JUN 77
FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC 1711
INFO AMEMBASSY BANGKOK
AMEMBASSY KUALA LUMPUR
AMEMBASSY MANILA
AMEMBASSY SINGAPORE

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E.O. 11652: N/A
TAGS: ETRD, EFIN, ID
SUBJECT: INDONESIA BANS MERCHANT LETTERS OF CREDIT

1. GOI HAS ANNOUNCED THAT, EFFECTIVE IMMEDIATELY, MERCHANT LETTERS OF CREDIT (M L/C) MAY NO LONGER BE USED TO FINANCE IMPORT OF GOODS INTO INDONESIA. HENCEFORTH ALL PRIVATE SECTOR IMPORTS MUST BE IMPORTED UNDER BANK LETTERS OF CREDIT (B L/CS). LATTER REQUIRES POSTING OF 40 PERCENT CASH DEPOSIT AT TIME L/C OPENED WITH REMAINDER PAYABLE UPON ARRIVAL OF GOODS IN PORT. M/LCS, ON THE OTHER HAND, HAD REQUIRED ONLY 25 PERCENT ADVANCE DEPOSIT (OSTENSIBLY TO COVER DUTIES BUT ACTUALLY TO REDUCE COMPETITIVE ADVANTAGE OF M L/CS OVER B L/CS) WITH REMAINDER PAYABLE ON BASIS OF CREDIT ARRANGEMENT WORKED OUT BETWEEN FOREIGN SUPPLIER AND LOCAL IMPORTER. ACCORDING TO BANK INDONESIA STATISTICS, IN 1976, \$600 MILLION IN IMPORTS, MOSTLY CLASSIFIED AS ESSENTIAL GOODS, WERE FINANCED UNDER M L/CS.

2. IN ANNOUNCING BAN ON M L/CS, GOI SAID DECISION BASED
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PAGE 02 JAKART 07755 131117Z

ON NEED TO PROTECT DOMESTIC INDUSTRIES FROM FOREIGN-COM-PETITION AND TO STRENGTHEN GOVERNMENT'S ANTI-SMUGLING CAMPAIGN. WHILE GOVERNMENT MOVE MAY HAVE SOME LIMITED EFFECT IN THESE AREAS, SEEMS MORE LIKELY DECISION WAS TAKEN PRIMARILY TO REDUCE COMPETITIVE EDGE "NON-INDIGENOUS" INDONESIAN BUSINESSMEN, I.E., CHINESE TRADERS, HAVE OVER SMALLER INDIGENOUS IMPORTERS BECAUSE OF FORMER'S ABILITY

TO OBTAIN LINES OF CREDIT FROM FOREIGN SUPPLIERS.

3. LOSS OF FOREIGN LINES OF CREDIT BECAUSE OF M L/C BAN
IS CREATING SERIOUS CASH FLOW PROBLEMS FOR MANY INDONESIAN
FIRMS AND SOME WILL PROBABLY BE FORCED TO GO OUT OF BUSINESS.
M L/C BAN WILL ALSO, AT LEAST marginally, HAVE
TENDENCY TO RAISE PRICES OF SOME IMPORTS BECAUSE OF HIGHER
INDONESIAN COST OF MONEY BORROWED TO PAY CASH FOR IMPORTS
ON ARRIVAL. IT MAY ALSO SLIGHTLY ENCOURAGE SOURCING OF
IMPORTS FROM COUNTRIES IN THE REGION TO REDUCE PERIOD
MONEY IS TIED UP IN ADVANCE DEPOSITS REQUIRED FOR BANK
LETTERS OF CREDIT.
NEWSOM

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: IMPORTS, TRADE CONTROLS, LETTERS OF CREDIT
Control Number: n/a
Copy: SINGLE
Sent Date: 13-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977JAKARTA07755
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770210-0135
Format: TEL
From: JAKARTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770661/aaaacbnpn.tel
Line Count: 75
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 06b2c97d-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
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Retention: 0
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Review Content Flags:
Review Date: 18-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2169172
Secure: OPEN
Status: NATIVE
Subject: INDONESIA BANS MERCHANT LETTERS OF CREDIT
TAGS: ETRD, EFIN, ID
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/06b2c97d-c288-dd11-92da-001cc4696bcc
Review Markings:
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